

MOOKGOPHONG LOCAL MUNICIPALITY

ANNUAL BUDGET MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS



2016/17 TO 2018/19

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Attached as
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Additional Documents

Annexure A	Reviewed Integrated Development Plan 2012/13 to 2016/17
Annexure B	Service Delivery And Budget Implementation Plan
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Annexure D	Policies as set out in par 2.4
Annexure E	Business Plan to utilise conditional grants

Abbreviations and Acronyms

CFO	Chief Financial Officer
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
EC	Executive Committee
EE	Employment Equity
FBS	Free basic services
GDP	Gross domestic product
GRAP	General Recognised Accounting Practice
HR	Human Resources
IDP	Integrated Development Strategy
IT	Information Technology
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations
PHC	Provincial Health Care
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
RSC	Regional Services Council
SALGA	South African Local Government Association
SAPS	South African Police Service
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

Part 1 – Annual Budget

1.1 Mayor's Report

Over the long term, government aims to grow the economy so that all South Africans who wish to work can work. But given our history, it will take some time before we can reach this goal, and we urgently need to assist millions of South Africans who do not have access to an income, or who are otherwise vulnerable. Poverty alleviation is at the heart of government's agenda.

South Africa's infrastructure investment campaign is about providing goods and services that create a better working and living environment. Providing infrastructure such as electricity, water, transport, telecommunications, hospitals and housing allows businesses to grow and individuals to enjoy a better quality of life.

The Mookgophong municipality is committed to create a better working and living environment for all its residents.

The domestic economic outlook over the period ahead is uncertain, due to the current global economic environment. To achieve top-down budget restraint in a manner that promotes faster, more inclusive growth means that government has to moderate spending growth over the medium term. In addition to this, the composition of expenditure needs to change in order to support inclusive development, encouraging economic growth but simultaneously ensuring improvements in the delivery of social services. The aim is to achieve a more efficient balance between personnel, goods and services, and capital spending over the period ahead – and also between different classifications of spending within each of these categories of expenditure.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within Mookgophong. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

1.2 Council Resolutions

On 31 May 2016 the Council of Mookgophong Local Municipality considered the annual budget of the municipality for the financial year 2016/17. The Council approved and adopted the following resolutions:

1. The Council of Mookgophong Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 2016/17 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 13 ;
 - 1.1.2. Budgeted Financial Performance (revenue by source and expenditure by standard classification) as contained in Table 14 ; and

- 1.1.3. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 15 ;
- 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 12.
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 16 ;
 - 1.2.2. Budgeted Cash Flows as contained in Table 17.
2. The Council of Mookgophong Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2016, the following tariffs as set out in Table 4 to 9:
 - 2.1. property rates
 - 2.2. electricity
 - 2.3. supply of water
 - 2.4. sanitation services
 - 2.5. solid waste services
 - 2.6. cemeteries
 - 2.7. fire fighting services
 - 2.8. town planning fees
 - 2.9. posters and distribution of handbills
 - 2.10 library fees
 - 2.11 supply of information
 - 2.12 permits; licensing and pound fees
 - 2.13 other credit control charges
 - 2.14 rental of municipal facilities
 - 2.15 rental of hostels
3. The Council of Mookgophong Local Municipality, approves the reviewed IDP for the period 2012/13 to 2016/17 as well as the Service Delivery and Budget Implementation Plan for the 2016/17 financial year as set out in Annexure A and B respectively;
4. To give proper effect to the municipality's annual budget, the Council of Mookgophong Local Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
 - 4.2. the adoption and implementation of the following policies, attached as Annexure C :
 - External Loans Policy
 - Reimbursement for Travel and Subsistence Policy
 - Budget Management Policy
 - Bad debts and write off Policy
 - Budget Principles Policy
 - Virement Policy
 - Tariff Policy
 - Rates Policy
 - Treatment and Valuation of Inventory Policy

- Credit Control Policy
- Banking and Investment Policy
- Cellular Phone Policy
- Overtime Policy;
- Asset Management Policy
- Indigent Policy
- Supply Chain Management Policy

- 4.3 That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the capital and operating programme.

1.3 Executive Summary

According to section 21 of the Municipal Demarcation Act, 1998 (Act No 27 of 1998), the Municipal Demarcation Board (MDB) must determine municipal boundaries and may re-determine any municipal boundaries. In June 2011, the MDB began an intensive three year consultative process of reviewing municipal boundaries. This process was concluded in 2013, and resulted in 17 local municipalities being affected by major boundary redeterminations. As a result of these changes the total number of municipalities is reduced by 8 municipalities.

Following the 2013 cycle of municipal boundary redeterminations, the Minister of Cooperative Governance and Traditional Affairs (CoGTA) submitted additional proposals requesting the MDB to consider the re-configuration of boundaries of certain municipalities. These proposals were submitted to the MBD in January, February and April 2015 in terms of section 22(2) of the Act, which gives the Minister of CoGTA the right to request the MDB to consider specific boundary changes. The process of considering these applications was finalised in 2015, resulting in 32 local municipalities being affected. As a result of these changes the total number of municipalities is reduced by a further 13 municipalities.

In total there will be a net reduction of 21 municipalities resulting in a total number of 257 municipalities in the country. Mookgophong and Modimole are amongst these municipalities that are to merge with each other. Although the name of the newly established municipality is still unknown, the demarcation code will be LIM 368.

Implications for these two merging municipalities (if the election is held after 1 July 2016):

- ☐ The demarcation changes are only effective from the date of the local government elections, therefore each existing municipality must compile an individual budget for the 2016/17 MTREF;
- ☐ The individual budgets will be consolidated for the newly demarcated municipality after the local government elections, regardless of the new allocations that will be published in the 2016 Division of Revenue Bill;
- ☐ In order to ensure seamless consolidation of budgets after the elections, the merging municipalities are to start working as a team on the planning and technical processes; and
- ☐ During the period between the date of the election and the start of the new municipal financial year on 1 July 2016 the current arrangements for the payment of staff and creditors are to be maintained.

In the merging process, the Change Management Committee (CMC) is overseeing the joint planning between the municipalities in preparation for the consolidated budgets after the local government elections. The budget with all relevant plans has to be approved by the new council as soon as it has been constituted.

The changes to municipal boundaries are published by the MECs for local government in provincial gazettes in terms of section 12 of the Municipal Structures Act, 1998 (Act No 117 of 1998)(LGMSA). Section 14 of this Act regulates the effects that changes to municipal boundaries will have on existing

municipalities. It also stipulates that the section 12 notice issued by the MEC for local government must provide for:

- ☐ The disestablishment of a municipality (or part of a municipality);
- ☐ The vacation of office by councilors of the existing municipality;
- ☐ The transfer of staff from the existing municipality to the superseding municipality (this must be done in accordance with labour legislation);
- ☐ The transfer of assets, liabilities and administrative and other records from the existing municipality to the superseding municipality (creditors of the existing municipality must be paid by the new municipality); and
- ☐ The extent to which existing by-laws will still apply.

The 2016/17 municipal budget preparation must make provision for any changes contained in these section 12 notices. The outgoing Council will as a result still be responsible for the preparation and conclusion of the Annual Financial Statements and the audit process.

National Treasury's MFMA Circular No. 78, dated 7 December 2015 and Circular 79, dated 7 March 2016, were used to guide the compilation of the 2015/16 MTREF. The main challenges experienced during the compilation of the 2016/17 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to re-prioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The continuous deficit budgeted over the past years, caused by non-cost reflective tariffs;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2016/17 MTREF process; and
- The municipality's lack to afford capital borrowing.

The following budget principles and guidelines directly informed the compilation of the 2016/17 MTREF:

- The 2015/16 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2016/17 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the 2016/17 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2016/17 MTREF

R thousand	Adjustments Budget 2015 / 16	Budget Year 2016 / 17	Budget Year +1 2017 /18	Budget Year +2 2018 / 19
Total Operating Revenue	156,105,550	170,301,359	178,734,757	191,378,263
Total Operating Expenditure	165,568,686	172,252,104	184,985,978	197,121,855
Surplus/(Deficit) for the year	(9,463,136)	(1,950,745)	(6,251,221)	(5,743,592)
Total Capital Expenditure	16,156,000	14,973,000	14,827,000	15,618,000

Total operating expenditure has grown by 4,04 per cent or R6,683 million for the 2016/17 financial year when compared to the 2015/16 Adjustments Budget. Operational revenue will increase by 9,09 per cent, equating to a total revenue growth of R14,196 million for the 2016/17 financial year, when compared to the 2015/16 Adjustments budget.

It has to be noted that the municipality is no longer in a position to budget for a deficit. As a result of the steep increase in the provision that had to be made for asset depreciation in 2011, the municipality ever since budgeted for a deficit to absorb the increase in these expenses. This deficit had to be decreased systematically over the past years to absorb the burden of high tariff increases. The introduction of the electricity's step tariffs in 2012 caused also a major decrease in electricity income, causing the Electricity Department operating on a loss.

The capital budget of R14,973 million for 2016/17 is 7,32 per cent more than the 2015/16 Adjustment Budget. The total portion of the capital budget will be funded from MIG funds. No capital projects will be carried forward from the 2015/16 financial year.

1.4 Operating Revenue Framework

For Mookgophong Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;

- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Mookgophong Municipality.

The following table is a summary of the 2015/16 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description R thousand	2012/13	2013/14	2014/15	Current Year 2015/16			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source									
Property rates	16,902	21,749	24,422	24,166	24,166	24,166	27,047	30,394	33,543
Property rates - penalties charges	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	31,917	33,112	30,902	55,717	45,510	45,510	52,791	57,762	62,417
Service charges - water revenue	3,941	5,167	4,240	9,128	9,128	9,128	9,767	10,687	11,548
Service charges - sanitation revenue	3,473	4,086	4,682	7,999	8,379	8,379	8,966	9,810	10,600
Service charges - refuse revenue	3,379	4,310	4,971	7,272	7,472	7,472	7,995	8,748	9,453
Service charges - other	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	148	261	319	163	363	363	303	331	358
Interest earned - external investments	298	97	129	40	40	40	40	44	47
Interest earned - outstanding debtors	2,932	5,849	6,088	6,500	8,224	8,224	7,500	8,206	8,867
Dividends received	-	-	-	-	-	-	-	-	-
Fines	43	284	45	74	119	119	74	80	87
Licences and permits	-	-	-	-	-	-	-	-	-
Agency services	4,602	4,218	3,622	5,071	6,187	6,187	6,156	6,735	7,278
Transfers recognised - operational	29,287	32,554	37,731	46,248	46,248	46,248	49,319	45,561	46,773
Other revenue	646	1,316	1,316	345	269	269	344	377	407
Gains on disposal of PPE	-	5,929	7,696	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	97,568	118,932	126,164	162,723	156,106	156,106	170,301	178,735	191,378

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Electricity charges is the largest revenue source in the 2016/17 financial year, totalling R 52,791 (31,00%) of the total operating revenue. The second largest source is Transfers from National Government, totalling R 49,319 (28,96%). The third largest revenue source is Property Rates, totalling R27,047 (11,92%) for the 2016/17 financial year. The Electricity-, Water-, Sanitation- and Refuse – revenue has to increase rapidly to ensure proper cost recovering for these trade services. This growth can be mainly attributed to the decreased share of the electricity surplus in the operating budget over the past years and the increased costs of replacing assets and employee costs in these departments. By budgeting for improved cost reflective trade departments, the

municipality will become lesser dependent on external transfers receivable. The basis used to calculate budgeted income for rates and service charges is historical actual cash collected for each of the different services, and a collection rate of 93%. Other cash related income is based on the relevant legislation and capacity of the municipality to collect.

The “other revenue” which consists of various items such as income received from, building plan fees, connection fees, cemetery fees, etc. is decreasing rapidly. Departments have been urged to review the tariffs of these items on an annual basis to ensure that it is cost reflective and market related and to implement strict internal control measures to ensure that this income source is sustainable.

Impact of demarcation changes on financial transfers to the municipalities

- **Implications for Local Government Equitable Share (LGES) allocations**

The LGES is allocated through a formula that takes account of several factors including the number of poor households and households in a municipality, their incomes and the ability of the municipality to raise its own revenue. In calculating municipalities' equitable share allocations for 2016/17 all of these indicators were updated in line with the new municipal boundaries. The resultant changes in the affected municipalities' equitable share allocations were implemented by National Treasury and details of the new allocations are published in the 2016 Division of Revenue Bill.

- **Implications for Municipal Infrastructure Grant (MIG) allocations**

The MIG is allocated through a formula in a similar manner to the LGES (the MIG formula is based on infrastructure backlogs). The MIG formula is also be updated with data reflecting the changed municipal boundaries. The resultant changes in the affected municipalities' MIG allocations were implemented by National Treasury and details of the new allocations are published in the 2016 Division of Revenue Bill.

- **Implications for other conditional grant allocations**

Allocations of other conditional grants are made to municipalities by the responsible national departments, often on a project basis. Allocations for conditional grants are only made for one year and the amounts published for the outer years in the schedules of the Division of Revenue Act are published for indicative purposes only and are not guaranteed. Departments made their allocations for the 2016/17 financial year based on the new boundaries of municipalities. For municipalities that have been merged this means that previous indicative allocations are likely to be made to the new municipality that incorporates the municipal area where a project was planned and indicative amounts were published.

Changes to local government allocations

- **The municipal demarcation transition grant allocation** –has been allocated in 2016/17 and 2017/18 to fund the changes in municipal boundaries in affected municipalities.
- **The municipal systems improvement grant** has been reconfigured as an indirect grant from 2016/17 to help poorly performing municipalities with revenue collection, performance management and record keeping. Regional management support will also be provided to groups of municipalities facing common institutional weaknesses.
- **Local government infrastructure grants** has been reviewed by allowing municipalities to use conditional grant funds to repair and refurbish existing infrastructure. Spending of grant funds on refurbishment should be focused on infrastructure serving the poor and does not remove the responsibility of municipalities to fund routine maintenance from the equitable share and own revenues. This will improve services and secure future revenue streams.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 3 Operating Transfers and Grant Receipts

Description	2012/13	2013/14	2014/15	Current Year 2015/16			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand									
RECEIPTS:									
–									
Operating Transfers and Grants									
National Government:	28,287	31,554	-	44,270	44,270	44,270	47,501	44,629	45,786
Local Government Equitable Share	25,758	29,014		41,540	41,540	41,540	39,888	40,630	43,626
Finance Management	1,729	1,650		1,800	1,800	1,800	1,825	2,031	2,160
Municipal Demarcation Transfer	800	890		930	930	930	5,788	1,968	-
Provincial Government:	-	-	-	-	-	-	-	-	-
None	-	-	-	-	-	-	-	-	-
District Municipality:	-	-	-	-	-	-	-	-	-
None	-	-	-	-	-	-	-	-	-
Other grant providers:	1,000	1,000	-	1,097	1,097	1,097	937,000	-	-
Expanded Public Works Programme	1,000	1,000		1,097	1,097	1,097	937,000	-	-
Total Operating Transfers and Grants	29,287	32,554	-	45,367	45,367	45,367	984,501	44,629	45,786
Capital Transfers and Grants									
National Government:	12,858	11,061	-	16,156	16,156	16,156	14,973	21,074	14,827
Municipal Infrastructure Grant (MIG)	12,858	11,061		16,156	16,156	16,156	14,973	21,074	14,827
Provincial Government:	-	-	-	-	-	-	-	-	-
None	-	-	-	-	-	-	-	-	-
District Municipality:	-	-	-	-	-	-	-	-	-
None	-	-	-	-	-	-	-	-	-
Other grant providers:	-	-	-	-	-	-	-	-	-
Expanded Public Works	-	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	12,858	11,061	-	16,156	16,156	16,156	14,973	21,074	14,827
TOTAL RECEIPTS OF TRANSFERS & GRANTS	42,145	43,615	-	61,523	61,523	61,523	999,474	65,703	60,613

Please refer to Annexure E for the business plan to utilise the Demarcation- and Finance Management- grant. The total allocations in terms of the 2016 Dora had been re-allocated for the interim budget purposes as :

ALLOCATIONS FOR LIM368

	Modimole	Mookgophong	Total	Modimole	Mookgophong	Total	Modimole	Mookgophong	Total
	2016/17			2017/18			2018/19		
Equitable Share	52,659,000	39,888,000	92,547,000	53,638,000	40,630,000.00	94,268,000	57,594,000	43,626,000.00	101,220,000
Municipal Demarcation grant	7,640,000	5,788,000	13,428,000	2,598,000	1,968,000.00	4,566,000	-	-	-
Financial management Grant	1,810,000	1,825,000	3,635,000	2,014,000	2,031,000.00	4,045,000	2,141,000	2,160,000.00	4,301,000
Expanded Public Works Programme	1,365,000	937,000	2,302,000	-	-	-	-	-	-
MIG	21,282,000	14,973,000	36,255,000	21,074,000	14,827,000.00	35,901,000	22,198,000	15,618,000.00	37,816,000
Water services Infrastructural	-	-	-	-	-	-	-	-	-
Total Grant	45,000,000	-	45,000,000	47,000,000	-	47,000,000	48,000,000	-	48,000,000

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

The Municipality tends to keep increases in rates, tariffs and other charges as low as possible. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment. For the past years however tariff increases did not keep pace with the high levels of increased expenses and therefore the tariffs charged on certain of the services could not recover the cost to render these services. Two factors gave rise to trade services realising shortages in it's operating performance, namely replacement cost of infrastructure (depreciation) that was only introduced since 2012 and maintenance cost that spiralled upwards due to aging infrastructure. In terms of budget assumptions in the previous financial years, the tariffs in trade services should be systematically introduced to encounter drastic and abnormal increases in tariffs. After three years of implementing this approach, it became evident that the municipality could not keep pace of the cost to render these basic services to the community.

The following risks had been identified accompanied by steep increases in tariffs :

Risk	Impact on Revenue	Strategies / comments for impact reduction
1. Drop in the customers demand for the electricity and water due to: <ul style="list-style-type: none"> a. Customers affordability; b. Customers switching to the alternative source (using candles, wood etc.); c. Businesses closing down/ relocating to other areas where services are affordable; 	Lower sales that will result loss of revenue.	<p>The risk of losing income is low to medium however the following factors has to be considered as well :</p> <p>Due to the rural nature of the network the cost of maintenance per customer is very high;</p> <p>Tariff comparisons with neighbouring municipalities indicate that the proposed increase will not be extremely higher than these municipalities;</p> <p>The risk of power outages, water reductions and decrease in the level of other services and the consequent loss in income , due to the lack in maintenance is much higher than the possible risk in lower income due to higher tariffs;</p> <p>Refer to annexure D for the monetary value in the increases, explaining the effect of these increases in the pockets of the individual consumer. The low to middle</p>

		<p>income households will pay between R30 and R470 per month more ;</p> <p>The affordability to maintain the network due to a non-cost reflective tariff had also a direct impact on the electricity losses. Income may increase due to the implementation of an improved funded maintenance plan.</p>
2. Increase in the illegal connections due to customer's inability to pay.	Lower revenue will be collected.	<p>This risk is also identified to be medium to low.</p> <p>It has to be noted that the monitoring of illegal connections was not affordable due to the approved tariffs in the past years. Illegal connections can only be "policed" by fully equipped departments that will then be affordable with a more cost reflective tariff.</p>
3. Protest that could results in assets being vandalised.	Increase in the repairs and refurbishment expenditure.	This risk could only be addressed through proper consultation process with the affected communities.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, fuel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. This adds to the contributing factor that the tariffs mentioned above have to increase beyond the official inflation rate of the Reserve Bank.

Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows. Refer to the attached **Tables 4 to 9** for all the relevant tariffs applicable to the 2015/16 financial year.

1.4.1 Property Rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

The implementation of Property Rates is regulated in terms of the Municipal Property Rates Act, and the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in previous budget processes and the Property Rates Policy of the Municipality has been amended accordingly.

The categories of rate-able properties for purposes of levying rates and the rates for the 2016/17 financial year based on a 20 (twenty) per cent increase from 1 July 2016 as contained in the attached **Table 4**. As a result of the broader tax bases caused by the new valuation roll implemented in 2013 this lower increase could be afforded.

The cash inflow relating to Rates is based on an historical average collection of 85%. This reflects on the cash flow budget statement in **Table 20**.

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it do with electricity, since demand growth outstrips supply. Consequently, it is necessary to review the level and structure of the water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the registered indigent consumers; and
- Water tariffs are designed to encourage efficient and sustainable consumption and discourage unnecessary usage of water.

A summary of the tariffs for all consumers are attached under **Table 5**. The tariff structure of the 2016/17 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption at a higher rate. All tariffs for the different category of consumers are increasing with an average of 7 per cent.

The cash inflow relating to Water is based on an historical average collection of 90%. This reflects on the cash flow budget statement in Table SA30.

Water losses recorded as at 30 June 2014 on 23%, equalling R 954,196 per annum. The main reasons for the losses are illegal connections and aging infrastructure. This is directly relating to the affordability to maintain a network with non-cost reflective tariffs eradicating all possible capacity in detecting and reducing losses. It became important to address these losses by capacitating the relevant department with equipment and staff.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure with an average of 7,857 per cent increase in the Eskom bulk electricity tariff to municipalities and will be effective from 1 July 2016. According to the formula used to calculate the tariff increase, only a 7,64 percent guideline increase is allowed.

Notwithstanding the guideline increases by NERSA, the Municipality do not have an option, but to increase income with at least 15 per cent to offset the additional bulk purchase cost from 1 July 2016 as well as to compensate for the low tariff increases in 2012 when the step tariffs had been introduced. The percentage increases of Eskom bulk tariffs are beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

With the assistance of NERSA, the Municipality managed to increase tariffs for households only to an average of 7,9% and for other categories to an average of 13%. Notwithstanding the lower than proposed tariffs, the ring-fenced Electricity department could manage a decrease it's deficit only to R2,9 million. As indicated in the financial reports the municipality is making a loss on electricity sales for the past three years. The municipality's network is supplying electricity beyond urban borders causing operational cost to be very high. This increase is crucial to ensure a sustainable electricity supply to consumers. A strategy to increase electricity tariffs to eventually erode the pattern of deficits will be implemented over the following three financial years. In the meantime, the municipality is forced to seek alternative sources of revenue through the raising of other service and rates tariffs.

The attached **Table 6** indicates the impact of the proposed increases in electricity tariffs on the electricity charges for all categories of consumers.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. Most of the reticulation network was designed or strengthened in the early 1970's with an expected 20-25 year life-expectancy. The upgrading of the electricity network has therefore become a strategic priority, especially the substations and transmission lines. The aim of the high tariff increase is to make provision for higher maintenance cost to address back logs in the delivering of sustainable electricity services to the consumers.

Funding most needed upgrades and important maintenance can only be achieved through higher revenue sources, resulting from higher tariff increases.

The cash inflow relating to Electricity is based on an historical average collection of 95%. This reflects on the cash flow budget statement in Table SA30.

Electricity losses recorded as at 30 June 2015 on 23%, equalling R 7,124million per annum. The main reasons for the losses are illegal connections and aging infrastructure. This is directly relating to the affordability to maintain a network with non-cost reflective tariffs eradicating all possible capacity in detecting and reducing losses. It became important to address these losses by capacitating the relevant department with equipment and staff.

1.4.4 Sanitation and Impact of Tariff Increases

A tariff for all categories of sanitation consumers increase with 7 per cent with effect from 1 July 2016. This is based on the input cost assumptions related to the waste water services.

Table 7 as attached compares the current tariffs and the tariffs for 2016/17.

The cash inflow relating to Sanitation is based on an historical average collection of 85%. This reflects on the cash flow budget statement in Table SA30

1.4.5 Waste Removal and Impact of Tariff Increases

It is widely accepted that the rendering of this service should at least break even, which were in the previous years not the case.

A tariff for all categories of waste removal service points increase with 7 per cent with effect from 1 July 2016.

Table 8 compares current and proposed amounts payable from 1 July 2016.

The cash inflow relating to Waste removal is based on an historical average collection of 85%. This reflects on the cash flow budget statement in Table SA30

1.4.6 Other Tariff Increases

Table 9 compares current and proposed tariffs for all other services. All other income is cash based and therefore set on 100 per cent collection rate except for Interest charged on outstanding Debtors that is calculated on a low collection of 5,30 per cent.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2016/17 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2016/17 budget and MTREF (classified per main type of operating expenditure):

Table 10 Summary of operating expenditure by standard classification item

Description R thousand	2012/13	2013/14	2014/15	Current Year 2015/16			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Expenditure By Type									
Employee related costs	42,351	47,898	52,555	56,669	58,932	58,932	62,331	67,596	73,043
Remuneration of councillors	2,858	3,148	3,323	3,414	3,501	3,501	3,775	4,131	4,464
Debt impairment	3,337	68	15,945	1,700	1,700	1,700	1,700	1,860	2,010
Depreciation & asset impairment	17,529	25,959	18,971	17,344	17,344	17,344	15,344	15,412	15,476
Finance charges	–	3,823	5,691	5,885	7,166	7,166	7,752	5,318	5,746
Bulk purchases	32,125	35,095	36,997	43,102	42,052	42,052	45,389	49,662	53,664
Other materials	4,156	5,297	7,663	9,117	8,877	8,877	10,687	12,270	13,850
Contracted services	7,431	6,942	8,571	6,008	7,894	7,894	8,509	9,310	10,060
Transfers and grants	–	–	–	–	–	–	–	–	–
Other expenditure	17,787	16,998	26,436	19,451	18,102	18,102	16,765	19,427	18,809
Loss on disposal of PPE	–	–	1,873	–	–	–	–	–	–
Total Expenditure	127,574	145,228	178,025	162,690	165,569	165,569	172,252	184,986	197,122

The budgeted allocation **for employee related costs** for the 2016/17 financial year totals R62.424 million, which equals 36 per cent of the total operating expenditure. The previous three year collective SALGBC agreement is coming to an end in the 16/17 financial year. Salary increases have been factored into this budget at a percentage of 6,5 per cent for the 2016/17 financial year. An annual increase of 6.90 per cent has been included in the two outer years of the MTREF. As part of the Municipality's cost reprioritization and cash management strategy not all vacancies could be filled. No provision was made to fill any of the vacant positions in order to ensure a smooth merging process after the elections:

In total, provision is made for the employment of 256 employees. The organogram will still be reflecting a vacancy rate of 24 per cent.

The cost associated with **the remuneration of councillors** is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act

20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

Table 11 Summary of employee and councillor remuneration

Summary of Employee and Councillor remuneration R thousand	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
	A	B	C	D	E	F	G	H	I
<u>Councillors (Political Office Bearers plus Other)</u>									
Basic Salaries and Wages	2,858	3,148	3,101	3,414	3,414	3,414	3,775	4,130	4,434
Cellphone Allowance	–	–	245	–	–	–	–	–	–
Sub Total - Councillors	2,858	3,148	3,346	3,414	3,414	3,414	3,775	4,130	4,434
% increase		10.1%	6.3%	2.0%	–	–	9.4%	8.1%	9.0%
<u>Senior Managers of the Municipality</u>									
Basic Salaries and Wages	1,306	2,683	4,491	4,914	4,914	4,914	5,307	5,711	6,225
Pension and UIF Contributions	70	–	45	–	–	–	–	–	–
Motor Vehicle Allowance	387	–	–	–	–	–	–	–	–
Sub Total - Senior Managers of Municipality	1,763	2,683	4,536	4,914	4,914	4,914	5,307	5,711	6,225
% increase		52.1%	69.1%	8.3%	–	–	8.0%	7.6%	9.0%
<u>Other Municipal Staff</u>									
Basic Salaries and Wages	23,141	24,830	29,227	35,443	35,443	35,443	38,769	42,005	45,785
Pension and UIF Contributions	7,216	9,632	8,151	10,270	10,270	10,270	12,099	11,993	13,072
Medical Aid Contributions	–	2,502	–	–	–	–	–	–	–
Overtime	3,010	3,772	2,273	–	–	–	–	–	–
Motor Vehicle Allowance	1,238	2,177	3,279	4,560	4,560	4,560	4,548	4,911	5,353
Housing Allowances	71	40	597	507	507	507	533	576	628
Other benefits and allowances	5,660	2,935	–	–	–	–	–	–	–
Payments in lieu of leave	–	–	151	165	165	165	190	195	213
Long service awards	–	–	85	120	120	120	131	142	155
Post-retirement benefit obligations	252	368	735	690	690	690	755	816	889
Sub Total - Other Municipal Staff	40,588	46,257	44,498	51,755	51,755	51,755	57,024	60,638	66,095
% increase		14.0%	(3.8%)	16.3%	–	–	8.2%	8.2%	9.0%
Total Parent Municipality	45,210	52,087	52,380	60,083	60,083	60,083	65,064	70,385	76,720
		15.2%	0.6%	14.7%	–	–	8.3%	8.2%	9.0%

The **provision of debt impairment** was determined based on an annual collection rate of 93 per cent and the Debt Write-off Policy of the Municipality. For the 2016/17 financial year this amount equates to R1,7 million and escalates to R 2,010 million by 2018/19. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget

appropriations in this regard total R15,344 million for the 2016/17 financial year and equates to 4 per cent of the total operating expenditure. The depreciation provided is based on historical cost as reflected in the financial records.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprise of the implementation of the infrastructure maintenance plans, including the purchase of fuel, and other materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritized to ensure sustainability and comprises of 6 per cent of the total expenditure budget. This budget does not provide sufficient funds for maintenance in term of the guidelines from National Treasury (Circular 55). This is to be phased in over the following three financial years to accommodate a maintenance plan with sufficient funding. Due to non-cost reflective tariffs in the past financial years a much higher maintenance cost would cause even higher percentage increases in the service tariffs.

Other Expenditure relates to items including fees payable to the Auditor General and Collection agencies. It also includes the day-to-day operating expenses, such as subsistence and travel claims, bank charges, postage fees, Mayoral Community work and costs relating to vehicles. For the majority of these expenses, the provision in the budget stayed the same. This was done deliberately to address the cost containment measures that had to be implemented in terms of National Treasury Instruction 1 of 2013/14, dated 19 December 2013 issued by the Accountant-General.

The following table gives a breakdown of the main expenditure categories for the 2015/16 financial year.

Table 12 Main operational expenditure categories for the 2016/17 financial year

Expenditure Category	Amount R thousand	% of total budget
Employee costs	62,331	36%
Remuneration of councillors	3,775	2%
Debt Impairment	1,700	1%
Finance charges	7,752	9%
Depreciation & asset impairment	15,344	5%
Bulk purchases	45,389	26%
Materials	10,687	6%
Contracted Services	8,509	5%
Other expenditure	16,765	10%
Total Expenditure	172,252	100%

Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2016/17 budget and MTREF provide for asset maintenance. An asset renewal strategy and a repairs and maintenance plan is crucial to support the expenses been budgeted for asset maintenance. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure :

Table 13 2016/17 Medium-term capital budget per standard classification and funding

Vote Description R thousand	2012/13	2013/14	2014/15	Current Year 2015/16			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital Expenditure - Standard									
<i>Governance and administration</i>	40	248	7,866	-	-	-	-	-	-
Executive and council	40	-	-	-	-	-	-	-	-
Budget and treasury office	-	-	-	-	-	-	-	-	-
Corporate services	-	248	7,866	-	-	-	-	-	-
<i>Community and public safety</i>	-	4,263	3,040	1,228	1,228	1,228	3,289	3,282	3,456
Community and social services	-	4,263	-	-	-	-	-	-	-
Sport and recreation	-	-	3,040	1,228	1,228	1,228	3,289	3,282	3,456
Public safety	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	6,630	3,768	-	-	-	-	1,974	1,969	2,074
Planning and development	-	-	-	-	-	-	-	-	-
Road transport	6,630	3,768	-	-	-	-	1,974	1,969	2,074
Environmental protection	-	-	-	-	-	-	-	-	-
<i>Trading services</i>	9,163	1,085	36,162	14,928	14,928	14,928	7,123	7,105	7,485
Electricity	-	-	-	-	-	-	702	700	738
Water	9,163	757	9,167	-	-	-	-	-	-
Waste water management	-	240	26,994	14,928	14,928	14,928	6,421	6,405	6,747
Waste management	-	88	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	15,833	9,364	47,068	16,156	16,156	16,156	12,386	12,356	13,015
Funded by:									
National Government	15,833	9,028	29,800	16,156	16,156	16,156	12,386	12,356	13,015
Provincial Government	-	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	15,833	9,028	29,800	16,156	16,156	16,156	12,386	12,356	13,015
Public contributions & donations	-	-	8,285	-	-	-	-	-	-
Borrowing	-	-	7,697	-	-	-	-	-	-
Internally generated funds	-	336	1,286	-	-	-	-	-	-
Total Capital Funding	15,833	9,364	47,068	16,156	16,156	16,156	12,386	12,356	13,015

The following table provides a breakdown of the detailed budgeted capital expenditure :

Name of project	Funder	2016/2017	2017/2018	2017/2018
Roads and Storm water				
Paving & Stormwater Control Mookgophong Ext. 3 LP/1477/R,ST/ST12/14	MIG	1,974	1,969	2,074
Water				
Upgrading of Welgevonden Purification Works All WardsLP/1103/w/08/12	MIG	-	-	-
Sanitation				
Sewer Outfall, reticulation and yard connection Phomolong LUM/04/01/2009	MIG	6,421	6,405	6,747
Upgrading Mookgophong Sport fields MIG/LP0933/CF/09/11	MIG	3,289	3,282	3,456
Electricity				
Highmast LightsMookgophong Ext 5 & 6 registered Not	MIG	702	700	738
TOTAL VALUE OF CAPITAL PROJECT		12,386	12,356	13,015
PMU Management Fees		748	650	775
VAT on services		1,839	1,821	1,918
TOTAL MIG ALLOCATION		14,973	14,827	15,708

The capital expenditure in relation to the total operating expenditure is recorded at 9%. As indicated in table A8 there are no cash backed reserves to fund additional capital spending except for the Municipal Infrastructural Grant funding receivable in terms of the DoRA.

1.7 Annual Budget Tables

The following Tables 14 to 24 set out the municipality's 2016/17 budget and MTREF as approved by Council.

Table 14 - Budgeted Summary

LIM364 Mookgopong - Table A1 Budget Summary

Description R thousands	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Financial Performance										
Property rates	16,902	21,749	24,422	24,166	24,166	24,166	24,166	27,047	30,394	33,543
Service charges	42,710	46,676	44,795	80,116	70,489	70,489	70,489	79,519	87,007	94,017
Investment revenue	298	97	129	40	40	40	40	40	44	47
Transfers recognised - operational	29,287	32,554	37,731	46,248	46,248	46,248	46,248	49,319	45,561	46,773
Other own revenue	8,371	17,856	19,086	12,153	15,163	15,163	15,163	14,376	15,730	16,997
Total Revenue (excluding capital transfers and contributions)	97,568	118,932	126,163	162,723	156,106	156,106	156,106	170,301	178,735	191,378
Employee costs	42,351	47,898	52,555	56,669	58,932	58,932	58,932	62,331	67,596	73,152
Remuneration of councillors	2,858	3,148	3,323	3,414	3,501	3,501	3,501	3,775	4,131	4,464
Depreciation & asset impairment	17,529	25,959	18,971	17,344	17,344	17,344	17,344	15,344	15,412	15,476
Finance charges	–	3,823	5,691	5,885	7,166	7,166	7,166	7,752	5,318	5,746
Materials and bulk purchases	36,281	40,392	44,660	52,219	50,929	50,929	50,929	56,076	61,933	67,514
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	28,555	24,008	52,825	27,159	27,696	27,696	27,696	26,974	30,597	30,879
Total Expenditure	127,575	145,228	178,025	162,690	165,569	165,569	165,569	172,252	184,986	197,122
Surplus/(Deficit)	(30,006)	(26,296)	(51,862)	33	(9,464)	(9,464)	(9,464)	(1,951)	(6,251)	(5,743)
Transfers recognised - capital	18,679	11,061	13,138	16,156	16,156	16,156	16,156	14,973	14,827	15,618
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(11,328)	(15,235)	(38,724)	16,189	6,692	6,692	6,692	13,022	8,576	9,875
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(11,328)	(15,235)	(38,724)	16,189	6,692	6,692	6,692	13,022	8,596	9,875
Capital expenditure & funds sources										
Capital expenditure	15,833	9,363	47,068	16,156	16,156	16,156	16,156	12,386	12,356	13,015
Transfers recognised - capital	15,833	9,028	29,800	16,156	16,156	16,156	16,156	12,386	12,356	13,015
Public contributions & donations	–	–	8,285	–	–	–	–	–	–	–
Borrowing	–	–	7,697	–	–	–	–	–	–	–
Internally generated funds	–	336	1,286	–	–	–	–	–	–	–
Total sources of capital funds	15,833	9,363	47,068	16,156	16,156	16,156	16,156	12,386	12,356	13,015
Financial position										
Total current assets	39,552	60,429	57,139	50,056	63,344	63,344	63,344	58,161	63,102	71,908
Total non current assets	226,030	216,971	247,551	174,383	320,019	320,019	320,019	173,469	173,499	173,529
Total current liabilities	47,787	69,050	102,593	40,520	99,520	99,520	99,520	41,503	49,902	53,531
Total non current liabilities	23,254	29,044	27,825	15,594	39,762	39,762	39,762	15,955	19,789	21,623
Community wealth/Equity	194,540	179,305	174,272	168,325	244,081	244,081	244,081	174,172	167,010	170,283

Cash flows										
Net cash from (used) operating	11,406	16,293	26,897	16,118	4,845	4,845	4,845	14,266	20,625	22,627
Net cash from (used) investing	(18,298)	(8,820)	(27,088)	(16,156)	(4,656)	(4,656)	(4,656)	(14,865)	(17,359)	(19,853)
Net cash from (used) financing	(225)	(467)	–	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	(7,116)	7,006	824	389	616	616	616	225	3,491	6,265
Cash backing/surplus reconciliation										
Cash and investments available	(5,992)	1,015	824	389	616	616	616	824	225	3,491
Application of cash and investments	11,928	30,011	76,556	11,997	57,707	57,707	57,707	411	180	(2,180)
Balance - surplus (shortfall)	(17,920)	(28,996)	(75,732)	(11,608)	(57,091)	(57,091)	(57,091)	413	45	5,671
Asset management										
Asset register summary (WDV)	225,969	216,478	247,371	174,383	320,019	320,019	173,469	173,469	173,499	173,529
Depreciation & asset impairment	17,529	25,959	18,971	17,344	17,344	17,344	15,344	15,344	15,412	15,476
Renewal of Existing Assets	–	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	2,430	5,297	7,663	7,770	7,585	7,585	9,625	9,625	10,992	12,357

Table 15 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description R thousand	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue - Standard									
<i>Governance and administration</i>	22,335	28,438	34,409	33,827	34,368	34,368	37,573	40,919	44,882
Executive and council	60	742	2,875	2,967	1,840	1,840	2,832	2,108	2,243
Budget and treasury office	22,227	27,695	30,919	30,745	32,413	32,413	34,626	38,686	42,503
Corporate services	49	-	615	115	115	115	115	126	136
<i>Community and public safety</i>	1,762	2,393	1,915	2,200	2,682	2,682	4,586	4,701	4,989
Community and social services	197	810	304	195	415	415	335	366	395
Sport and recreation	-	-	699	1,229	1,229	1,229	3,290	3,283	3,457
Public safety	1,564	1,584	912	777	1,039	1,039	962	1,052	1,137
Housing	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	30,736	30,336	53,210	47,745	48,605	48,605	53,825	51,291	52,946
Planning and development	30,734	30,336	40,070	47,743	48,603	48,603	51,849	49,320	50,870
Road transport	2	-	13,140	2	2	2	1,976	1,971	2,076
Environmental protection	-	-	-	-	-	-	-	-	-
<i>Trading services</i>	61,414	68,826	49,767	95,106	86,606	86,606	89,291	96,651	104,179
Electricity	31,936	33,140	30,947	55,749	45,542	45,542	53,525	58,497	63,193
Water	22,620	16,228	9,167	9,146	9,146	9,146	9,785	10,706	11,569
Waste water management	3,473	15,148	4,682	22,929	23,309	23,309	17,976	18,688	19,953
Waste management	3,385	4,310	4,971	7,282	8,609	8,609	8,005	8,759	9,465
<i>Other</i>	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	116,247	129,993	139,301	178,879	172,262	172,262	185,274	193,562	206,996
Expenditure - Standard									
<i>Governance and administration</i>	48,947	47,013	88,730	58,883	63,021	63,021	61,926	64,0304	68,746
Executive and council	15,154	29,633	26,531	35,826	39,627	39,627	34,213	35,928	38,472
Budget and treasury office	17,526	10,851	61,095	9,381	9,798	9,798	10,113	11,054	11,944
Corporate services	16,267	6,529	1,104	13,676	13,595	13,595	17,601	17,049	18,329
<i>Community and public safety</i>	8,170	7,509	-	10,021	11,016	11,016	11,042	12,214	13,471
Community and social services	2,857	1,147	-	1,046	1,083	1,083	1,094	1,197	1,566
Sport and recreation	2,296	2,481	-	4,072	4,295	4,295	4,480	5,034	5,440
Public safety	3,017	3,881	-	4,904	5,638	5,638	5,468	5,983	6,465
Housing	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	9,332	23,117	4,621	17,692	16,160	16,160	18,172	22,081	21,601
Planning and development	3,679	5,332	-	7,046	5,333	5,333	6,452	9,028	7,629
Road transport	5,653	17,785	4,621	10,646	10,827	10,827	11,720	13,053	13,973
Environmental protection	-	-	-	-	-	-	-	-	-

<i>Trading services</i>	61,125	67,589	84,674	76,093	75,372	75,372	81,112	86,661	93,304
Electricity	40,659	49,866	84,212	53,469	52,870	52,870	55,773	60,417	65,152
Water	10,503	6,482	462	8,197	7,680	7,680	9,153	9,883	10,567
Waste water management	5,244	5,612	–	7,693	7,422	7,422	8,411	8,858	9,499
Waste management	4,720	5,629	–	6,734	7,400	7,400	7,774	7,504	8,086
<i>Other</i>	–	–	–	–	–	–	–	–	–
Total Expenditure - Standard	127,575	145,228	178,025	162,690	165,569	165,569	172,252	184,986	197,122
Surplus/(Deficit) for the year	(11,328)	(15,235)	(38,724)	16,189	6,692	6,692	13,022	8,576	9,875

Table 16 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

LIM364 Mookgopong - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue by Vote	1									
Vote 1 - 001 Political Office Bearers		48	—	—	—	—	—	—	—	—
Vote 2 - 002 Municipal Manager		26,569	29,906	34,797	42,470	42,470	42,470	45,676	42,598	43,626
Vote 3 - 003 Budget and Treasury		22,227	35,600	32,764	32,585	34,253	34,253	36,491	40,761	44,710
Vote 4 - 004 Infrastructural Dev. & Planning		59,062	54,849	60,382	91,042	81,175	81,175	88,379	94,088	101,246
Vote 5 - 005 Corporate Services		49	243	645	145	145	145	145	159	171
Vote 6 - 006 Community and Social Services		8,292	9,396	10,713	12,636	14,218	14,218	14,584	15,957	17,243
Total Revenue by Vote	2	116,247	129,993	139,301	178,879	172,262	172,262	185,274	193,562	206,996
Expenditure by Vote to be appropriated	1									
Vote 1 - 001 Political Office Bearers		8,009	8,013	8,901	8,195	9,038	9,038	8,578	9,232	9,963
Vote 2 - 002 Municipal Manager		6,950	7,102	13,978	12,170	13,563	13,563	10,062	12,628	11,226
Vote 3 - 003 Budget and Treasury		17,526	19,311	50,665	19,496	20,388	20,388	19,661	21,535	23,236
Vote 4 - 004 Infrastructural Dev. & Planning		65,193	72,387	74,674	85,340	84,688	84,688	96,097	103,261	111,111
Vote 5 - 005 Corporate Services		16,267	23,624	13,826	18,179	17,614	17,614	17,601	17,040	18,329
Vote 6 - 006 Community and Social Services		13,629	14,791	15,981	19,310	20,278	20,278	20,254	21,291	23,257
Total Expenditure by Vote	2	127,575	145,228	178,025	162,690	165,569	165,569	172,252	184,986	197,122
Surplus/(Deficit) for the year	2	(11,328)	(15,235)	(38,724)	16,189	6,692	6,692	13,022	8,576	9,875

Table 17 - Budgeted Financial Performance (revenue by source and expenditure by type)

Description R thousand	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source										
Property rates	16,902	21,749	24,422	24,166	24,166	24,166	24,166	27,047	30,394	33,543
Service charges - electricity revenue	31,917	33,112	30,902	55,717	45,510	45,510	45,510	52,791	57,762	62,417
Service charges - water revenue	3,941	5,167	4,240	9,128	9,128	9,128	9,128	9,767	10,687	11,548
Service charges - sanitation revenue	3,473	4,086	4,682	7,999	8,379	8,379	8,379	8,966	9,810	10,600
Service charges - refuse revenue	3,379	4,310	4,971	7,272	7,472	7,472	7,472	7,995	8,748	9,453
Rental of facilities and equipment	148	261	319	163	363	363	363	303	331	358
Interest earned - external investments	298	97	129	40	40	40	40	40	44	47
Interest earned - outstanding debtors	2,932	5,849	6,088	6,500	8,224	8,224	8,224	7,500	8,206	8,867
Fines	43	284	45	74	119	119	119	74	80	87
Agency services	4,602	4,218	3,622	5,071	6,187	6,187	6,187	6,156	6,735	7,278
Transfers recognised - operational	29,287	32,554	37,731	46,248	46,248	46,248	46,248	49,319	45,561	46,773
Other revenue	646	1,316	1,316	345	269	269	269	344	377	407
Gains on disposal of PPE	-	5,929	7,696	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	97,568	118,932	126,163	162,723	156,106	156,106	156,106	170,301	178,735	191,378
Expenditure By Type										
Employee related costs	42,351	47,898	52,555	56,669	58,932	58,932	58,932	62,331	67,596	73,043
Remuneration of councillors	2,858	3,148	3,323	3,414	3,501	3,501	3,501	3,775	4,131	4,464
Debt impairment	3,337	68	15,945	1,700	1,700	1,700	1,700	1,700	1,860	2,010
Depreciation & asset impairment	17,529	25,959	18,971	17,344	17,344	17,344	17,344	15,344	15,412	15,476
Finance charges	-	3,823	5,691	5,885	7,166	7,166	7,166	7,752	5,318	5,746
Bulk purchases	32,125	35,095	36,997	43,102	42,052	42,052	42,052	45,389	49,662	53,664
Other materials	4,156	5,297	7,663	9,117	8,877	8,877	8,877	10,687	12,270	13,850
Contracted services	7,431	6,942	8,571	6,008	7,894	7,894	7,894	8,509	9,310	10,060
Other expenditure	17,787	16,998	26,436	19,451	18,102	18,102	18,102	16,765	19,427	18,809
Loss on disposal of PPE	-	-	1,873							
Total Expenditure	127,575	145,228	178,025	162,690	165,569	165,569	165,569	172,252	184,986	197,122
Surplus/(Deficit)	(30,006)	(26,296)	(51,862)	33	(9,464)	(9,464)	(9,464)	(1,951)	(6,251)	(5,743)
Transfers recognised - capital	18,679	11,061	13,138	16,156	16,156	16,156	16,156	14,973	14,827	15,618
Surplus/(Deficit) after capital transfers & contributions	(11,328)	(15,235)	(38,724)	16,189	6,692	6,692	6,692	13,022	8,576	9,875
Surplus/(Deficit) attributable to municipality	(11,328)	(15,235)	(38,724)	16,189	6,692	6,692	6,692	13,022	8,576	9,875
Surplus/(Deficit) for the year	(11,328)	(15,235)	(38,724)	16,189	6,692	6,692	6,692	13,022	8,576	9,875

Table 18 - Budgeted Capital Expenditure by Vote, standard classification and funding**LIM364 Mookgopong - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding**

Vote Description R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital expenditure - Vote											
Multi-year expenditure to be appropriated											
Vote 1 - 001 Political Office Bearers	2	-	-	-	-	-	-	-	-	-	-
Vote 2 - 002 Municipal Manager		40	-	-	-	-	-	-	-	-	-
Vote 3 - 003 Budget and Treasury		-	-	-	-	-	-	-	-	-	-
Vote 4 - 004 Infrastructural Dev. & Planning		15,793	4,765	36,161	14,356	14,356	14,356	14,356	9,097	9,074	9,559
Vote 5 - 005 Corporate Services		-	248	7,866	-	-	-	-	-	-	-
Vote 6 - 006 Community and Social Services		-	4,350	3,040	1,800	1,800	1,800	1,800	3,289	3,282	3,456
Capital multi-year expenditure sub-total	7	15,833	9,363	47,068	16,156	16,156	16,156	16,156	12,386	12,356	13,015
Single-year expenditure to be appropriated											
Vote 1 - 001 Political Office Bearers	2	-	-	-	-	-	-	-	-	-	-
Vote 2 - 002 Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - 003 Budget and Treasury		-	-	-	-	-	-	-	-	-	-
Vote 4 - 004 Infrastructural Dev. & Planning		-	-	-	-	-	-	-	-	-	-
Vote 5 - 005 Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - 006 Community and Social Services		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Vote		15,833	9,363	47,068	16,156	16,156	16,156	16,156	12,386	12,356	13,015
Capital Expenditure - Standard											
Governance and administration		40	248	7,866	-	-	-	-	-	-	-
Executive and council		40	-	-	-	-	-	-	-	-	-
Budget and treasury office		-	-	-	-	-	-	-	-	-	-
Corporate services		-	248	7,866	-	-	-	-	-	-	-
Community and public safety		-	4,263	3,040	1,228	1,228	1,228	1,228	3,289	3,282	3,456
Community and social services		-	4,263	-	-	-	-	-	-	-	-
Sport and recreation		-	-	3,040	1,228	1,228	1,228	1,228	3,289	3,282	3,456
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		6,630	3,768	-	-	-	-	-	1,974	1,969	2,074
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		6,630	3,768	-	-	-	-	-	1,974	1,969	2,074
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		9,163	1,084	36,161	14,928	14,928	14,928	14,928	7,123	7,105	7,485

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Electricity		-	-	-	-	-	-	-	702	700	738
Water		9,163	757	9,167	-	-	-	-	-	-	-
Waste water management		-	240	26,994	14,928	14,928	14,928	14,928	6,421	6,405	6,747
Waste management		-	88	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	15,833	9,363	47,068	16,156	16,156	16,156	16,156	12,386	12,356	13,015
Funded by:											
National Government		15,833	9,028	29,800	16,156	16,156	16,156	16,156	12,386	12,356	13,015
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	15,833	9,028	29,800	16,156	16,156	16,156	16,156	12,386	12,356	13,015
Public contributions & donations	5	-	-	8,285	-	-	-	-	-	-	-
Borrowing	6	-	-	7,697	-	-	-	-	-	-	-
Internally generated funds		-	336	1,286	-	-	-	-	-	-	-
Total Capital Funding	7	15,833	9,363	47,068	16,156	16,156	16,156	16,156	12,386	12,356	13,015

Table 19 - Budgeted Financial Position

LIM364 Mookgopong - Table A6 Budgeted Financial Position

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
ASSETS											
Current assets											
Cash		340	126	762	389	616	616	616	4,763	8,029	11,295
Call investment deposits	1	-	889	62	-	-	-	-	-	-	-
Consumer debtors	1	38,197	56,639	45,674	47,349	57,521	57,521	57,521	54,749	60,049	65,349
Other debtors		-	1,549	9,702	778	2,327	2,327	2,327	898	1,048	1,198
Inventory	2	1,015	1,224	939	1,540	2,880	2,880	2,880	1,690	1,780	1,870
Total current assets		39,552	60,429	57,139	50,056	63,344	63,344	63,344	62,100	70,906	79,712
Non current assets											
Long-term receivables		-	-	-	-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-	-	-	-
Investment property		10,831	17,013	17,027	11,564	17,013	17,013	17,013	11,564	11,564	11,564
Property, plant and equipment	3	214,987	199,364	230,293	162,819	252,517	252,517	252,517	161,905	161,935	161,965
Intangible		151	101	50	-	50,489	50,489	50,489	-	-	-
Other non-current assets		61	494	181	-	-	-	-	-	-	-
Total non current assets		226,030	216,971	247,551	174,383	320,019	320,019	320,019	173,469	173,499	173,529
TOTAL ASSETS		265,582	277,400	304,690	224,439	383,363	383,363	383,363	235,569	244,405	253,241
LIABILITIES											
Current liabilities											
Bank overdraft	1	6,332	-	-	-	-	-	-	-	-	-
Borrowing	4	40	549	13,301	-	2,998	2,998	2,998	-	-	-
Consumer deposits		3,389	3,521	3,563	4,030	3,630	3,630	3,630	4,370	4,880	
Trade and other payables	4	33,877	59,839	80,222	31,892	87,692	87,692	87,692	36,813	40,104	43,395
Provisions		4,150	5,141	5,507	4,598	5,200	5,200	5,200	320	4,918	
Total current liabilities		47,787	69,050	102,593	40,520	99,520	99,520	99,520	41,503	49,902	43,395
Non current liabilities											
Borrowing		-	711	4,768	-	4,768	4,768	4,768	-	-	-
Provisions		23,254	28,333	23,057	15,594	34,994	34,994	34,994	17,955	19,789	21,623
Total non current liabilities		23,254	29,044	27,825	15,594	39,762	39,762	39,762	17,955	19,789	21,623
TOTAL LIABILITIES		71,042	98,094	130,418	56,114	139,282	139,282	139,282	59,458	69,691	65,018
NET ASSETS	5	194,540	179,305	174,272	168,325	244,081	244,081	244,081	176,111	174,714	188,223
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		194,540	179,305	174,272	168,325	244,081	244,081	244,081	176,111	174,714	188,223
TOTAL COMMUNITY WEALTH/EQUITY	5	194,540	179,305	174,272	168,325	244,081	244,081	244,081	176,111	174,714	188,223

Table 20 - Budgeted Cash Flows

Description R thousand	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates, penalties & collection charges	69,852	60,180	23,932	20,541	20,541	20,541	20,541	23,531	25,616	27,701
Service charges	-	-	40,575	74,127	73,901	73,901	73,901	73,538	87,642	101,746
Other revenue	29,287	32,647	1,389	5,440	-	-	-	6,546	6,433	6,352
Government - operating	-	-	37,731	46,248	45,427	45,427	45,427	49,319	50,356	54,020
Government - capital	18,679	11,500	39,766	16,156	16,156	16,156	16,156	14,865	17,359	19,853
Interest	298	39	129	365	451	451	451	640	432	270
Dividends	-	-	-	-	-	-	-	-	-	-
Payments										
Suppliers and employees	(106,709)	(84,250)	(110,934)	(140,875)	(146,391)	(146,391)	(146,391)	(149,313)	(162,531)	(182,811)
Finance charges	-	(3,823)	(5,691)	(5,885)	(5,241)	(5,241)	(5,241)	(4,860)	(4,682)	(4,504)
Transfers and Grants	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	11,406	16,293	26,897	16,118	4,845	4,845	4,845	14,266	20,625	22,627
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	-	1,609	1,969	-	11,500	11,500	11,500	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	6,506	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-
Payments										
Capital assets	(18,298)	(10,428)	(35,562)	(16,156)	(16,156)	(16,156)	(16,156)	(14,865)	(17,359)	(19,853)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(18,298)	(8,820)	(27,088)	(16,156)	(4,656)	(4,656)	(4,656)	(14,865)	(17,359)	(19,853)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-
Payments										
Repayment of borrowing	(225)	(467)	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	(225)	(467)	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD	(7,116)	7,006	(192)	(38)	189	189	189	(599)	3,266	2,774
Cash/cash equivalents at the year begin:			1,015	427	427	427	427	824	225	3,491
Cash/cash equivalents at the year end:	(7,116)	7,006	824	389	616	616	616	225	3,491	6,265

Table 21 - Budgeted Cash backed reserves / accumulated surplus reconciliation

Description R thousand	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and investments available										
Cash equivalents at the year end	(7,116)	7,006	824	389	616	616	616	225	3,491	6,265
Current investments > 90 days	1,124	(5,991)	-	-	(0)	(0)	(0)	599	(3,266)	(2,774)
Non current assets - Investments	-	-	-	-	-	-	-	-	-	-
Cash and investments available:	(5,992)	1,015	824	389	616	616	616	824	225	3,491
Application of cash and investments										
Unspent conditional transfers	9,601	-	-	-	-	-	-	-	-	-
Unspent borrowing	-	-	-	-	-	-	-	-	-	-
Statutory requirements	-	-	-	-	-	-	-	-	-	-
Working capital requirements	(34,677)	(7,384)	(28,428)	(14,170)	(24,260)	(24,260)	(24,260)	(15,544)	(19,509)	(23,803)
Other provisions	4,492	3,938	27,244	14,395	15,594	15,594	15,594	15,955	19,689	21,623
Long term investments committed	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:	(20,584)	(3,445)	(1,184)	225	(8,666)	(8,666)	(8,666)	411	180	(2,180)
Surplus(shortfall)	14,592	4,461	2,008	164	9,282	9,282	9,282	413	45	5,671

Table 22 – Asset Management

Description R thousand	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CAPITAL EXPENDITURE									
<u>Total New Assets</u>	15,833	9,363	47,068	16,156	16,156	16,156	12,386	12,356	13,015
Infrastructure - Road transport	6,630	3,768	–	–	–	–	1,974	1,969	2,074
Infrastructure - Electricity	–	–	–	–	–	–	702	700	738
Infrastructure - Water	9,163	757	9,167	–	–	–	–	–	–
Infrastructure - Sanitation	–	240	26,994	14,928	14,928	14,928	6,421	6,405	6,747
Infrastructure - Other	–	88	–	–	–	–	–	–	–
Infrastructure	15,793	4,852	36,161	14,928	14,928	14,928	9,097	9,074	9,559
Community	–	4,263	3,040	1,228	1,228	1,228	3,289	3,282	3,456
Other assets	40	248	7,866	–	–	–	–	–	–
Intangibles	–	–	–	–	–	–	–	–	–
<u>Total Capital Expenditure</u>									
Infrastructure - Road transport	6,630	3,768	–	–	–	–	1,974	1,969	2,074
Infrastructure - Electricity	–	–	–	–	–	–	702	700	738
Infrastructure - Water	9,163	757	9,167	–	–	–	–	–	–
Infrastructure - Sanitation	–	240	26,994	14,928	14,928	14,928	6,421	6,405	6,747
Infrastructure - Other	–	88	–	–	–	–	–	–	–
Infrastructure	15,793	4,852	36,161	14,928	14,928	14,928	9,097	9,074	9,559
Community	–	4,263	3,040	1,228	1,228	1,228	3,289	3,282	3,456
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	40	248	7,866	–	–	–	–	–	–
Intangibles	–	–	–	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	15,833	9,363	47,068	16,156	16,156	16,156	12,386	12,356	13,015
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport	14,380	86,369	145,298	81,069	170,767	170,767	81,801	82,635	82,665
Infrastructure - Electricity	28,237	11,536	11,536	11,536	11,536	11,536	11,536	11,536	11,536
Infrastructure - Water	44,369	24,095	24,095	24,095	24,095	24,095	24,095	24,095	24,095
Infrastructure - Sanitation	36,020	10,702	10,702	10,702	10,702	10,702	10,702	10,702	10,702
Infrastructure - Other	603	152	152	152	152	152	152	152	152
Infrastructure	123,609	132,855	191,783	127,555	217,253	217,253	128,287	129,121	129,151
Community	6,145	4,778	4,778	4,778	4,778	4,778	4,778	4,778	4,778
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	10,831	17,013	17,027	11,564	17,013	17,013	11,564	11,564	11,564
Other assets	85,232	61,732	33,732	30,487	30,487	30,487	28,841	28,037	28,037

Intangibles	151	101	50	-	50,489	50,489	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	225,969	216,478	247,371	174,383	320,019	320,019	173,469	173,499	173,529
EXPENDITURE OTHER ITEMS									
<u>Depreciation & asset impairment</u>	17,529	25,959	18,971	17,344	17,344	17,344	15,344	15,412	15,476
<u>Repairs and Maintenance by Asset Class</u>	2,430	5,297	7,663	7,770	7,585	7,585	9,625	10,992	12,357
Infrastructure - Road transport	291	254	264	200	-	-	219	236	253
Infrastructure - Electricity	1,369	1,938	527	1,850	1,850	1,850	1,964	2,177	2,390
Infrastructure - Water	585	1,779	5,764	1,500	1,500	1,500	1,641	1,773	1,905
Infrastructure - Sanitation	185	1,326	93	2,200	2,200	2,200	2,407	2,601	2,795
Infrastructure - Other	-	-	-	-	-	-	-	-	-
Infrastructure	2,430	5,297	6,648	5,750	5,550	5,550	6,231	6,788	7,343
Community	-	-	219	20	35	35	22	24	26
Other assets	-	-	796	2,000	2,000	2,000	3,372	4,180	4,988
TOTAL EXPENDITURE OTHER ITEMS	19,959	31,256	26,634	25,114	24,929	24,929	24,969	26,404	27,833
<i>Renewal of Existing Assets as % of total capex</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Renewal of Existing Assets as % of deprecn"</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>R&M as a % of PPE</i>	1.1%	2.7%	3.3%	4.8%	3.0%	3.0%	5.9%	6.8%	7.6%
<i>Renewal and R&M as a % of PPE</i>	1.0%	2.0%	3.0%	4.0%	2.0%	2.0%	6.0%	6.0%	7.0%

Table 23 – Basic service delivery measurement

LIM364 Mookgopong - Table A10 Basic service delivery measurement

Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Household service targets									
<u>Water:</u>									
Piped water inside dwelling	4,124	4,124	4,124	4,124	4,124	4,124	4,124	4,124	4,124
Piped water inside yard (but not in dwelling)	4,944	4,944	4,944	4,944	4,944	4,944	4,944	5,260	5,260
Using public tap (at least min.service level)	316	316	316	316	316	316	316	–	–
Other water supply (at least min.service level)	–	–	–	–	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>	9,384	9,384	9,384	9,384	9,384	9,384	9,384	9,384	9,384
Using public tap (< min.service level)	277	277	277	277	277	277	277	811	811
Other water supply (< min.service level)	–	–	–	–	–	–	–	–	–
No water supply	257	257	257	257	257	257	257	–	–
<i>Below Minimum Service Level sub-total</i>	534	534	534	534	534	534	534	811	811
Total number of households	9,918	9,918	9,918	9,918	9,918	9,918	9,918	10,195	10,195
<u>Sanitation/sewerage:</u>									
Flush toilet (connected to sewerage)	6,088	6,088	6,088	6,088	6,088	6,088	6,088	6,088	6,088
Flush toilet (with septic tank)	525	525	525	525	525	525	525	525	525
Chemical toilet	86	86	86	86	86	86	86	86	86
Pit toilet (ventilated)	314	314	314	314	314	314	314	314	314
Other toilet provisions (> min.service level)	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917
<i>Minimum Service Level and Above sub-total</i>	8,930	8,930	8,930	8,930	8,930	8,930	8,930	8,930	8,930
Bucket toilet	195	195	195	195	195	195	195	–	–
Other toilet provisions (< min.service level)	262	262	262	262	262	262	262	–	–
No toilet provisions	527	527	527	527	527	527	527	527	527
<i>Below Minimum Service Level sub-total</i>	984	984	984	984	984	984	984	527	527
Total number of households	9,914	9,914	9,914	9,914	9,914	9,914	9,914	9,457	9,457
<u>Energy:</u>									
Electricity (at least min.service level)	9,710	9,710	9,710	9,710	9,710	9,710	9,510	8,660	8,160
Electricity - prepaid (min.service level)	485	485	485	485	735	735	1,535	2,535	4,035
<i>Minimum Service Level and Above sub-total</i>	10,195	10,195	10,195	10,195	10,445	10,445	11,045	11,195	12,195
Electricity (< min.service level)	–	–	–	–	–	–	–	–	–
Electricity - prepaid (< min. service level)	–	–	–	–	–	–	–	–	–
Other energy sources	–	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	–	–	–	–	–	–	–	–	–
Total number of households	10,195	10,195	10,195	10,195	10,445	10,445	11,045	11,195	12,195
<u>Refuse:</u>									
Removed at least once a week	6,353	6,353	6,353	6,353	6,353	6,353	6,353	6,353	6,353
<i>Minimum Service Level and Above sub-total</i>	6,353	6,353	6,353	6,353	6,353	6,353	6,353	6,353	6,353

Removed less frequently than once a week	103	103	103	103	103	103	103	103	103
Using communal refuse dump	208	208	208	208	208	208	208	208	208
Using own refuse dump	2,725	2,725	2,725	2,725	2,725	2,725	2,725	2,725	2,725
Other rubbish disposal	105	105	105	105	105	105	105	105	105
No rubbish disposal	423	423	423	423	423	423	423	423	423
<i>Below Minimum Service Level sub-total</i>	3,564	3,564	3,564	3,564	3,564	3,564	3,564	3,564	3,564
Total number of households	9,917	9,917	9,917	9,917	9,917	9,917	9,917	9,917	9,917
Households receiving Free Basic Service									
Water (6 kilolitres per household per month)	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Sanitation (free minimum level service)	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Electricity/other energy (50kwh per household per month)	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Refuse (removed at least once a week)	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Cost of Free Basic Services provided - Formal Settlements (R'000)									
Water (6 kilolitres per indigent household per month)	2,283	2,283	2,283	2,283	2,283	2,283	2,283	2,283	-
Sanitation (free sanitation service to indigent households)	3,203	3,203	3,203	3,203	3,203	3,203	3,203	3,203	-
Electricity/other energy (50kwh per indigent household per month)	1,836	1,836	1,836	1,836	1,836	1,836	1,836	1,836	-
Refuse (removed once a week for indigent households)	774	774	774	774	774	774	774	774	-
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)	-	-	-	-	-	-	-	-	-
Total cost of FBS provided	8,096	8,096	8,096	8,096	8,096	8,096	8,096	8,096	-
Highest level of free service provided per household									
Property rates (R value threshold)	20,000	20,000	20,000	25,000	25,000	25,000	25,000	25,000	25,000
Water (kilolitres per household per month)	10	10	10	10	10	10	10	10	10
Sanitation (kilolitres per household per month)	-	-	-	-	-	-	-	-	-
Sanitation (Rand per household per month)	27	27	28	28	28	28	29	29	30
Electricity (kwh per household per month)	50	50	50	50	50	50	50	50	50
Refuse (average litres per week)	205,200	205,200	205,200	206,100	206,100	206,100	207,300	207,800	208,200
Revenue cost of subsidised services provided (R'000)									
Property rates (tariff adjustment) (impermissable values per section 17 of MPRA)	8,069	8,921	9,351	11,257	11,257	11,257	12,189	13,226	14,955
Property rates exemptions, reductions and rebates and impermissable values in excess of section 17 of MPRA)	3,441	3,441	3,441	3,441	1,241	1,241	3,441	3,765	4,068
Water (in excess of 6 kilolitres per indigent household per month)	603	640	638	603	716	716	789	890	893
Sanitation (in excess of free sanitation service to indigent households)	330	335	340	341	341	341	365	375	380
Electricity/other energy (in excess of 50 kwh per indigent household per month)	8,069	8,921	9,351	11,257	11,257	11,257	13,226	14,955	15,123
Refuse (in excess of one removal a week for indigent households)	485	495	475	475	650	650	690	727	730
Total revenue cost of subsidised services provided	20,996	22,753	23,596	27,374	25,462	25,462	30,701	33,938	36,149

Table 24 – Household bills

	Scenario One : Low Income Household (Indigent - earning less than R3,000pm)		Scenario Two : Middle Income Household		Scenario Three : High Income Household	
	Electr consumption	Escom supply	Electr consumption	200 kWh	Electr consumption	350 kWh
	Water consumption :	15 KI	Water consumption :	40 KI	Water consumption :	85 KI
	Prop Valuation (New) :	R 88,000.00	Prop Valuation (New) :	R 850,000.00	Prop Valuation (New) :	R 900,000.00
DESCRIPTION OF SERVICES	SCENARIO	ONE	SCENARIO	TWO	SCENARIO	THREE
	2015 / 2016	2016 / 2017	2015 / 2016	2016 / 2017	2015 / 2016	2016 / 2017
	Tariff	Tariff	Tariff	Tariff	Tariff	Tariff
Assessment rates	R -	R -	R 582.04	R 698.43	R 617.31	R 740.76
Electricity :						
Basic charge	R -	R -	R 128.40	R 148.94	R 128.40	R 148.94
Consumption	R -	R -	R 188.37	R 218.51	R 337.48	R 391.49
Water :						
Basic charge	R -	R -	R 65.00	R 69.00	R 65.00	R 69.00
Consumption	R 57.00	R 61.00	R 478.80	R 512.30	R 1,333.80	R 1,427.15
Waste removal	R -	R -	R 138.60	R 148.30	R 138.60	R 148.30
Sanitation	R -	R -	R 90.10	R 96.41	R 90.10	R 96.41
VAT (on services)	R 7.98	R 8.54	R 152.50	R 167.08	R 293.07	R 319.38
TOTAL ACCOUNT	R 64.98	R 69.54	R 1,823.80	R 2,058.98	R 3,003.77	R 3,341.43
Increase :						
Monetary value		R 4.56		R 235.18		R 337.67
Percentage		7.02%		12.89%		11.24%

	Scenario Four : Farm Property with electricity		Scenario Five : Average Business	
	Electricity consumption : 1075kWh		Electricity consumption : 430 kWh	
	Water consumption : Own source		Water consumption : 50KI	
	Prop Valuation (New) : R 1,230,000.00		Prop Valuation (New) : R 580,000.00	
DESCRIPTION OF SERVICES	SCENARIO		SCENARIO	
	2015 / 2016	FOUR 2016 / 2017	2015 / 2016	FIVE 2016 / 2017
	Tariff	Tariff	Tariff	Tariff
Assessment rates	R 159.80	R 191.78	R 775.27	R 930.32
Electricity :				
Basic charge	R 179.52	R 208.24	R 179.52	R 208.24
Consumption	R 1,366.11	R 1,580.25	R 546.44	R 632.10
Water :				
Basic charge	R -	R -	R 65.00	R 69.00
Consumption	R -	R -	R 617.50	R 660.50
Waste removal	R -	R -	R 236.60	R 253.16
Sanitation	R -	R -	R 90.10	R 96.41
VAT (on services)	R 216.39	R 250.39	R 242.92	R 268.72
TOTAL ACCOUNT	R 1,921.82	R 2,230.66	R 2,753.35	R 3,118.45
Increase :				
Monetary value		R 308.84		R 365.09
Percentage		16.07%		13.26%

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor. The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.2 Overview of alignment of annual budget with IDP

This is a reviewed IDP, resulted from the public participation processes that for the 5 years 2012/13 to 2016/17. The review process of the IDP started in September 2015 after the tabling of the IDP Process Plan and the Budget Time Schedule in August of the same year.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2016/17 MTREF, based on the approved 2015/16 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2016/17 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2015/16 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

Table 25 - Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
To develop & maintain infrastructure which provides access to basic services & to promote a sustainable environment	To develop bulk water resources and to supply portable water	108	193	238	287	287	287	317	356	395
To develop & maintain infrastructure which provides access to basic services & to promote a sustainable environment	To provide at least basic electricity supply to the needy consumers in Mookgophong local municipal area at an affordable price	1,564	1,932	2,293	2,520	2,520	2,520	2,953	342	3,386
To develop & maintain infrastructure which provides access to basic services & to promote a sustainable environment	To ensure healthy environment and improve sanitation system	197	251	327	373	373	373	429	482	535
To develop & maintain infrastructure which provides access to basic services & to promote a sustainable environment	To ensure a clean & healthy environmental in the Mookgphong area	—								
To enhance compliance with the MFMA and improve financial viability	Implement a differentiated approach to municipal financing,planning & support	114,377	127,617	136,443	175,699	169,082	169,082	181,575	192,382	202,680
To develop & maintain infrastructure which provides access to basic services & to promote a sustainable environment	An efficient & effective road and storm water system in municipal area									
To develop institution & support efficient & effective administration	To ensure effective administrative & institutional systems,structures & procedures established									
To ensure intergrated and sustainable human settlement	Safe,healthy & secure enviro									
To ensure intergrated and sustainable human settlement	To improve safety & security for the community as a whole									
To ensure intergrated and sustainable human settlement	To ensure social wellness of the community									
Economic and environmental	Planning and development									
Allocations to other priorities										
Total Revenue (excluding capital transfers and contributions)		116,247	129,993	139,301	178,879	172,262	172,262	185,274	193,562	206,996

Table 26 - Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
To develop & maintain infrastructure which provides access to basic services & to promote a sustainable environment	To develop bulk water resources and to supply portable water	10,503	11,629	9,265	10,943	10,943	10,943	11,842	12,480	13,118
To develop & maintain infrastructure which provides access to basic services & to promote a sustainable environment	To provide at least basic electricity supply to the needy consumers in Mookgophong local municipal area at an affordable price	40,659	47,568	82,926	54,739	57,618	57,618	57,328	58,046	58,422
To develop & maintain infrastructure which provides access to basic services & to promote a sustainable environment	To ensure healthy environment and improve sanitation system	5,244	7,026	7,037	7,483	7,483	7,483	7,859	8,381	8,903
To develop & maintain infrastructure which provides access to basic services & to promote a sustainable environment	To ensure a clean & healthy environmental in the Mookgphong area	4,720	5,519	5,280	5,836	5,836	5,836	6,381	6,705	7,029
To enhance compliance with the MFMA and improve financial viability	Implement a differentiated approach to municipal financing,planning & support	17,526	18,980	19,342	19,966	19,966	19,966	22,593	24,197	25,538
To develop & maintain infrastructure which provides access to basic services & to promote a sustainable environment	An efficient & effective road and storm water system in municipal area	5,633	7,451	6,234	6,529	6,529	6,529	6,936	7,584	8,232
To promote public participation and accountability	To ensure that Council exercises its constitunal & legislated mandate by ensuring the availability of plans as vehicle for IDP	31,421	32,603	31,247	32,731	32,731	32,731	33,835	34,719	35,603
To ensure intergrated and sustainable human settlement	Safe,healthy & secure enviro	2,857	3,675	3,571	3,903	3,903	3,903	4,589	4,905	5,221
To ensure intergrated and sustainable human settlement	To improve safety & security for the community as a whole	3,037	3,691	3,727	4,369	4,369	4,369	4,829	5,746	6,663
To ensure intergrated and sustainable human settlement	To improve access to sports & recreational facilities for all communities taking the water scarcity into consideration	2,296	2,650	2,528	2,959	2,959	2,959	3,521	3,840	4,159
Economic and environmental	Planning and development	3,679	4,436	6,868	13,232	13,232	13,232	13,582	19,524	25,466
Allocations to other priorities										
Total Expenditure		127,574	145,228	178,025	162,690	165,569	165,569	173,295	186,127	198,354

2.3 Measurable Performance Objectives and Indicators

The Municipality developed a system that allows for the management of performance. This system must form the basis for managing the performance of all departments. Performance management is, therefore, the process of strategic planning through which performance

objectives are identified, based on the Integrated Development Plan, and then monitored and measured via the SDBIP. The corporate governance framework integrates both political as well as administrative accountability for performance measurement. The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 27 – Measurable performance objectives and indicators

Description of financial indicator	Basis of calculation	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<u>Borrowing Management</u>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.2%	3.0%	3.2%	3.6%	4.3%	4.3%	4.3%	4.5%	2.9%	2.9%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.3%	5.0%	6.4%	5.1%	6.5%	6.5%	6.5%	6.4%	4.0%	4.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital Gearing</u>											
Long Term Borrowing/ Funds & Reserves		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	0.8	0.9	1.3	1.2	1.4	1.4	1.4	1.4	1.3	1.3
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.8	0.9	0.6	0.4	0.6	0.6	0.6	0.6	0.6	0.8
Liquidity Ratio	Monetary Assets/Current Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		117.2%	88.0%	102.6%	90.8%	99.8%	99.8%	99.8%	91.1%	96.5%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		117.2%	88.0%	93.2%	90.8%	99.8%	99.8%	99.8%	91.1%	96.5%	101.5%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	39.1%	48.9%	43.9%	29.6%	38.3%	38.3%	38.3%	32.7%	34.2%	34.8%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	76.0%	62.0%	58.0%	64.0%	64.0%	64.0%	64.0%	68.0%	73.0%	78.0%
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA's 65(e))	69.0%	73.0%	75.0%	75.0%	75.0%	75.0%	75.0%	78.0%	80.0%	80.0%
Creditors to Cash and Investments		-295.4%	854.1%	2044.8%	6999.2%	4417.9%	4417.9%	4417.9%	14301.3%	1014.7%	617.9%
<u>Other Indicators</u>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)	0	0	48752819	49863920	49863920	49863920	49863920	49863920	49863920	49863920
	Total Cost of Losses (Rand '000)	-	-	8,005	8,406	8,406	8,406	8,406	8,406	8,406	8,406
	% Volume (units purchased and generated less units sold)/units purchased and generated	-	-	0	0	0	0	0	0	0	0

	Total Volume Losses (kℓ)	-	-	989	1,153	1,153	1,153	1,153	1,153	1,153	1,153
	Total Cost of Losses (Rand '000)	0	0	4063000	4385000	4385000	4385000	4385000	4385000	4385000	4385000
	% Volume (units purchased and generated less units sold)/units purchased and generated	-	-	0	0	0	0	0	0	0	0
Water Distribution Losses (2)											
Employee costs	Employee costs/(Total Revenue - capital revenue)	43.4%	40.3%	41.7%	34.8%	37.8%	37.8%	37.8%	36.7%	37.9%	38.2%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	46.3%	43.8%	41.5%	36.9%	38.5%	38.5%	38.5%	38.2%	39.4%	40.1%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	2.5%	4.5%	6.1%	4.8%	4.9%	4.9%	4.9%	5.7%	6.1%	6.5%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	18.0%	25.0%	19.5%	14.3%	15.7%	15.7%	15.7%	13.6%	11.6%	11.1%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	135.0	667.8	242.3	258.0	258.0	258.0	171.7	280.3	493.2	535.6
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	63.9%	84.7%	79.6%	46.1%	63.0%	63.0%	63.0%	52.1%	51.9%	52.0%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	(0.9)	0.8	0.1	0.0	0.1	0.1	0.1	0.0	0.3	0.5

2.4 Overview of budget related policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The Policies below, attached as Annexure D, had either been developed or reviewed for implementation with effect from 1 July 2016.

Table 28 – Budget related policies

No	Policy	Adjustments approved
1	External Loans Policy	None
2	Reimbursement for Travel and Subsistence Policy	None
3	Budget Management Policy	None
4	Bad debts and write off Policy	None
5	Budget Principles Policy	None
6	Virement Policy	None
7	Tariff Policy	None
8	Rates Policy	None
9	Treatment and Valuation of Inventory Policy	None
10	Credit Control Policy	None
11	Banking and Investment Policy	None
12	Cellular Phone Policy	None
13	Overtime Policy	None
14	Asset Management Policy	None
15	Indigent Policy	None
16	Supply Chain Management Policy	None
17	Funding and Reserves Policy	None

2.5 Overview of Budget Assumptions

As part of the compilation of the 2016/17 MTREF an extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2016/17 MTREF:

- Growth and development in the municipal area
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2015/16 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 79 and 78 has been taken into consideration in the planning and prioritisation process.

Budget assumptions and factors taken into consideration to ensure a credible budget were discussed in much more detail in Part 1 above under the different headings.

2.6 Overview of Budget Funding

Table 29 – Funding measurements

Description	MFMA sect.	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Funding measures	-										
Cash/cash equivalents at the year end - R'000	18(1)b	(7,116)	7,006	824	389	616	616	616	225	3,491	6,265
Cash + investments yr end less applications	18(1)b	14,592	4,461	2,008	164	9,282	9,282	9,282	413	45	5,671
Cash year end/ employee/supplier payments	18(1)b	(0.9)	0.8	0.1	0.0	0.1	0.1	0.1	0.0	0.3	0.5
Surplus/(Deficit) excluding depreciation: R'000	18(1)	(11,328)	(15,235)	(38,724)	16,189	6,692	6,692	6,692	11,980	7,435	8,642
Serv charge rev % change CPIX exclusive	18(1)a	N.A.	8.8%		44.7%				6.6%	4.2%	2.7%
Cash receipts % of all revenue	18(1)a	145.8%	115.5%	81.7%	86.0%	86.0%	86.0%	86.0%	85.7%	89.9%	93.9%
Debt impairment as a % of billable revenue	18(1)a	5.6%	0.1%	23.0%	1.6%	1.8%	1.8%	1.8%	1.6%	1.6%	1.6%
Capital payments % of capital expenditure	18(1)	115.6%	111.4%	75.6%	100.0%	100.0%	100.0%	100.0%	120.0%	140.5%	152.5%
Borrowing receipts % of capital expenditure	18(1)c	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated allocations	18(1)a								101.4%	101.6%	101.6%
Current consumer debtors % change)	18(1)a	N.A.	52.3%			24.4%	0.0%	0.0%		9.8%	8.9%
Long term receivables % change - incr(decr)	18(1)a	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(v)	1.1%	2.7%	3.3%	4.8%	3.0%	3.0%	3.8%	5.9%	6.8%	7.6%
Asset renewal % of capital budget	20(1)(v)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

It is evident from the above table that cash and the capacity to generate a positive cashinflow becomes the major stumbling block to ensure improvement on service delivery.

2.7 Monthly targets for revenue, expenditure and cash flow

Table 30 – Budgeted monthly revenue and expenditure

Description R thousand	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source															
Property rates	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	5,476	27,047	30,394	33,543
Service charges - electricity revenue	4,179	4,179	4,179	4,179	4,179	4,179	4,179	4,179	4,179	4,179	4,179	6,822	52,791	57,762	62,417
Service charges - water revenue	733	733	733	733	733	733	733	733	733	733	733	1,704	9,767	10,687	11,548
Service charges - sanitation revenue	650	650	650	650	650	650	650	650	650	650	650	1,816	8,986	9,810	10,600
Service charges - refuse revenue	586	586	586	586	586	586	586	586	586	586	586	1,769	7,995	8,748	9,453
Rental of facilities and equipment	4	4	4	4	4	4	4	4	4	4	4	259	303	331	358
Interest earned - external investments	3	3	3	3	3	3	3	3	3	3	3	7	40	44	47
Interest earned - outstanding debtors	50	50	50	50	50	50	50	50	50	50	50	6,950	7,500	8,206	8,867
Fines	6	6	6	6	6	6	6	6	6	6	6	6	74	80	87
Agency services	513	513	513	513	513	513	513	513	513	513	513	513	6,156	6,735	7,278
Transfers recognised - operational	18,436	-	-	-	14,494	-	-	-	13,762	-	-	2,627	49,319	45,561	46,773
Other revenue	29	29	29	29	29	29	29	29	29	29	29	25	344	377	407
Total Revenue (excluding capital transfers and contributions)	27,130	8,694	8,694	8,694	23,188	8,694	8,694	8,694	22,456	8,694	8,694	27,974	170,301	178,735	191,378
Expenditure By Type															
Employee related costs	5,128	4,531	4,531	4,531	4,531	4,531	5,275	5,275	5,275	5,275	5,275	8,175	62,331	67,586	73,043
Remuneration of councillors	316	285	285	285	285	285	299	299	299	299	299	542	3,775	4,131	4,464
Debt impairment	142	142	142	142	142	142	142	142	142	142	142	142	1,700	1,860	2,010
Depreciation & asset impairment	1,279	1,279	1,279	1,279	1,279	1,279	1,279	1,279	1,279	1,279	1,279	1,279	15,344	15,412	15,476
Finance charges	405	490	490	490	490	490	383	383	383	383	383	2,980	7,752	5,318	5,746
Bulk purchases	3,782	5,092	3,592	2,592	2,592	2,592	2,503	2,803	3,500	3,500	3,500	9,340	45,389	49,682	53,664
Other materials	891	760	760	760	760	760	720	720	720	720	720	2,399	10,687	12,270	13,850
Contracted services	709	501	501	501	501	501	932	932	932	932	932	638	8,509	9,310	10,060
Other expenditure	1,323	1,180	1,180	1,180	1,180	1,180	671	671	671	671	671	7,136	16,765	19,427	18,809
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	13,975	14,259	12,759	11,759	11,759	11,759	12,203	12,503	13,200	13,200	13,200	32,722	172,252	184,986	197,122
Surplus/(Deficit)	13,155	(5,564)	(4,064)	(3,064)	11,430	(3,064)	(3,509)	(3,809)	9,256	(4,506)	(4,506)	(4,748)	(1,951)	(6,251)	(5,7436)
Transfers recognised - capital	5,000	-	-	-	5,324	-	-	-	4,541	-	-	108	14,973	14,827	15,618
Surplus/(Deficit)	18,155	(5,564)	(4,064)	(3,064)	16,754	(3,064)	(3,509)	(3,809)	13,797	(4,506)	(4,506)	(4,640)	13,022	8,576	89,875

Table 31 – Budgeted monthly cash flows

MONTHLY CASH FLOWS	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	Oct	Nov	Dec	Jan	Febr	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash Receipts By Source															
Property rates	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	23,531	25,616	27,701
Charges - electricity revenue	4,179	4,179	4,179	4,179	4,179	4,179	4,179	4,179	4,179	4,179	4,179	4,179	50,152	62,582	75,012
Charges - water revenue	733	733	733	733	733	733	733	733	733	733	733	733	8,790	9,713	10,636
Charges - sanitation revenue	650	650	650	650	650	650	650	650	650	650	650	650	7,800	8,039	8,278
Charges - refuse revenue	566	566	566	566	566	566	566	566	566	566	566	566	6,796	7,308	7,820
Rental facilities / equipment	4	4	4	4	4	4	4	4	4	4	4	4	45	29	45
Interest - external investments	3	3	3	3	3	3	3	3	3	3	3	3	40	47	54
Interest - outstanding debtors	50	50	50	50	50	50	50	50	50	50	50	50	600	384	216
Agency services	513	513	513	513	513	513	513	513	513	513	513	509	6,156	5,995	5,834
Transfer receipts - operational	18,436	-	-	-	14,494	-	-	-	16,389	-	-	0	49,319	50,356	54,020
Other revenue	29	29	29	29	29	29	29	29	29	29	29	29	344	406	472
Cash Receipts by Source	27,124	8,688	8,688	8,688	23,182	8,688	8,688	8,688	25,077	8,688	8,688	8,684	153,574	170,479	190,089
Other Cash Flows by Source															
Transfer receipts - capital	5,000	-	-	-	5,324	-	-	-	4,541	-	-	-	14,865	17,359	19,853
Total Cash Receipts	32,124	8,688	8,688	8,688	28,506	8,688	8,688	8,688	29,618	8,688	20,188	(2,816)	168,439	187,838	209,942
Cash Payments by Type															
Employee related costs	5,128	4,531	4,531	4,531	4,531	4,531	5,275	5,275	5,275	5,275	5,275	7,133	61,196	66,348	71,407
Remuneration of councillors	316	285	285	285	285	285	299	299	299	299	299	541	3,775	4,036	4,297
Finance charges	405	490	490	490	490	490	383	383	383	383	383	88	4,860	4,682	4,504
Bulk purchases - Electricity	3,782	5,092	3,592	2,592	2,592	2,592	2,503	2,803	3,500	3,500	3,500	9,341	45,389	50,960	56,531
Other materials	891	760	760	760	760	760	720	720	720	720	720	2,399	10,687	12,584	14,481
Contracted services	709	501	501	501	501	501	932	932	932	932	932	638	8,509	7,103	8,509
Other expenditure	1,323	1,180	1,180	1,180	1,180	1,180	671	671	671	671	671	5,233	14,862	21,498	27,586
Cash Payments by Type	12,555	12,838	11,338	10,338	10,338	10,338	10,782	11,082	11,779	11,779	11,779	25,372	149,278	167,213	187,315
Other Cash Flows by type															
Capital assets	315	1,787	2,417	3,363	2,102	526	-	278	482	1,639	1,956	(0)	14,865	17,359	19,853
Other Cash Flows/Payments	-	-	-	-	2,500	-	-	-	1,352	-	-	-	4,8943,852	-	-
Total Cash Payments by Type	12,870	14,625	13,756	13,702	14,940	10,864	10,782	11,360	13,613	13,418	13,735	25,372	169,038	184,572	207,168
NET INCREASE/(DECREASE) IN CASH HELD	19,254	(5,937)	(5,067)	(5,013)	13,566	(2,176)	(2,094)	(2,672)	16,005	(4,730)	6,453	(28,188)	(599)	3,266	2,774
Cash/cash equivalents at the month/year begin:	824	20,078	14,142	9,074	4,061	17,627	15,451	13,357	10,685	26,690	21,959	28,412	824	225	3,491
Cash/cash equivalents at the month/year end:	20,078	14,142	9,074	4,061	17,627	15,451	13,357	10,685	26,690	21,959	28,412	225	225	3,491	6,265

Although the total operating budget does not reflect a surplus at the end of the financial year, the anticipated cash flow statement reflects a positive inflow of cash at the financial yearend, based on budgeted income assumptions. It is however important to note that the month-to-month cash-outflow exceeds the cash inflow. Only at quarterly intervals when equitable share is received the cash-inflow becomes positive. This is confirming the statement that the Municipality is totally dependent on grants from National Government.

2.8 Contract having future budgetary implications

Table 32 – Contracts having future budgetary implications

Description R thousand	Preceding Years	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
	Total	Original Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Parent Municipality:					
<u>Revenue Obligation By Contract</u>					
None	–	–	–	–	–
None	–	–	–	–	–
None	–	–	–	–	–
Total Operating Revenue Implication	–	–	–	–	–
<u>Expenditure Obligation By Contract</u>					
Lateral Unison Insurance Brokers(Short term insurance)	3 years	712	783	–	–
Lutavha Trading JV Tshumisano Trading maintenance of leased vehicles	3 years	5,723	–	–	–
Akhile Management and Consulting	2 years	2,400	2,400	–	–
Total Operating Expenditure Implication	–	8,835	3,183	–	–
<u>Capital Expenditure Obligation By Contract</u>					
None	–	–	–	–	–
None	–	–	–	–	–
None	–	–	–	–	–
Total Capital Expenditure Implication	–	–	–	–	–
Total Parent Expenditure Implication	–	8,835	3,183	–	–

2.9 Legislation compliance status

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule on 25 August 2015. Key dates applicable to the process were:

- **August 2015** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2016/17 MTREF;
- **November 2015** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;

- **3 to 7 January 2016** - Review of the financial strategy and key economic and financial planning assumptions by the Finance Portfolio Committee. This included financial forecasting and scenario considerations;
- **24 January 2016** - Council considers the 2015/16 Mid-year Review and Adjustments Budget;
- **February 2016** – Budget recommendations of the Budget Portfolio Committee are communicated to the respective departments. The draft 2016/17 MTREF is revised accordingly;
- **30 March 2016** - Tabling in Council the draft 2016/17 IDP and 2016/17 MTREF for public consultation;
- **April /May 2016** – Public consultation in all wards;
- **15 May 2016** - Closing date for written comments;
- **16 to 26 May 2016** – finalisation of the 2016/17 reviewed IDP and 2016/17 MTREF, considering comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **26 May 2016** - Tabling of the 2016/17 MTREF before Council for consideration and approval.

There was no material deviations from the key dates set out in the Budget Time Schedule tabled in Council. Public participation took place as scheduled in which political oversight was presented. Ward Councillors took responsibility for the community participation process.

2.10 Municipal Manager's Quality Certification

I, O.P SEBOLA, municipal manager of Mookgophong Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under that Act, and that the annual budget and supporting documentation are consistent with the Integrated Development Plan of the municipality.



O.P. SEBOLA

Municipal Manager :Mookgophong Local Municipality (LIM 364)

31 May 2016